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Puerto Rico at the Crossroads

BY EARLE K. JAMES

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Puerto Rico at the Crossroads

BY EARLE K. JAMES

with the aid of the Research Staff of the Foreign Policy Association

Mr. James has been a student of Latin American affairs for many years and has recently returned from an extended stay in Puerto Rico.

The importance of Puerto Rico to the United States—both political and economic—far transcends its size. Washington's success or failure in administration of this insular possession may affect the reaction of Latin America to the Good Neighbor Policy. The Island buys more from the United States than any Latin-American republic, ranking seventh among all nations as a market for our exports.

Since Puerto Rico came under the American flag, the Roosevelt administration has been the first to initiate a comprehensive program of economic rehabilitation. Among the Island's pressing problems are serious over-population, extensive unemployment and under-employment, low standards of living, concentration of land ownership, and domination of agriculture by a few export

crops, particularly sugar.

In 1935 the Puerto Rican Reconstruction Administration was set up to promote land division and increase opportunities of employment. But, coincident with economic reform, has come the rise of political agitation, the outbreak of terroristic violence, and the assassination of public officials. Conversely, the Island administration is accused of suppression of civil liberties.

In part, the present conditions of strain are attributed to the failure of both Washington and Puerto Rican leaders to agree on the future political status of the Island—whether independence, statehood, some form of autonomy, or a continuance of the *status quo*. Such decision appears essential if the Island is to be guaranteed political peace and constructive economic development.

PUERTO RICO, discovered by Columbus in 1493 and ceded to the United States by Spain in 1899, is a small island in the Caribbean, 1,000 miles southeast of Florida. Its land area is 3,435 square miles, its population almost 1,800,000. Its resources are agricultural, with sugar cane the major crop.

The Island's importance in the economy of the United States far exceeds its size. Puerto Rico ranks ninth as a source of imports into continental United States, and seventh as a market for exports, topping all the Latin-American republics in the value of its annual purchases from the mainland.

Politically the rôle of the Island is also important. It is the only former Spanish colony on this continent now in the possession of the United States; and the fact that its culture is still predominantly Spanish has led many to view Puerto Rico as a testing ground for two civilizations, with favorable or unfavorable repercussions on Pan American policies.

Of late the Island's relations with the mainland have been undergoing a period of stress. Political

agitation for greater autonomy has in recent years been reinforced by maladjustments that are the result of problems inherent in the Island's economy, accentuated by recent hurricanes and the world depression. A small but militant nationalist movement, seeking complete independence for the Island, has been particularly active. For the first time since the American Occupation political violence has led to the assassination of an American official, Colonel E. Francis Riggs, Chief of Police, and the trial and conviction of eight Puerto Ricans on charges of conspiring to overthrow the government. Agitation for independence by certain groups has been so strong that bills aimed to cut the Island loose from the United States have been introduced into Congress.¹

The status of Puerto Rico in the American family of territories and possessions is ambiguous. Certain Supreme Court decisions have characterized it as an "unincorporated" territory, in contrast to

¹. Chief of these was the so-called Tydings Bill (S. 4529, February 24- Calendar day April 23, 1936) which provided for a popular referendum on independence.

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Hawaii and Alaska which are "incorporated."² Puerto Rico is thus not "a part of the United States, as distinguished from merely belonging to it."³ This differentiation is also held to imply that Puerto Rico cannot achieve statehood through the normal process prescribed by Congress for incorporated territories. Moreover, the extent to which the Constitution applies to Puerto Rico has never been specifically delimited.⁴

On the other hand, Puerto Rico has not been promised eventual independence, as was done with the Philippines; and its people have been made citizens of the United States, a privilege not granted the Filipinos. The Island also enjoys a degree of self-rule that removes it from the category of such island dependencies as Guam and Samoa. Although executive power is vested in a Governor appointed by the President, all local legislative powers are exercised by a bicameral legislature elected by popular vote, free to enact such legislation as does not conflict with the provisions of acts of Congress applicable to Puerto Rico and not specifically exempting the Island from their provisions. The Governor has veto power over the acts of the Legislature. Acts repassed over a Governor's veto go to the President for final action.

The Insular Legislature is in full charge of the raising and disbursement of Insular revenues. It enacts its own revenue laws, including income and inheritance tax laws. Federal internal revenue laws are consequently not applicable in Puerto Rico, except the tariff; but tariff revenues collected in Puerto Rico go to the Insular treasury. In these fiscal matters, the Island enjoys a privilege not granted the states of the Union.⁵

Although the present relations between the mainland and Puerto Rico allow for a greater degree of self-government than the Island enjoyed up to 1917, many Puerto Ricans feel that politically they still suffer excessive restrictions. They believe that the Island's "coming of age" justifies immediate progressive steps toward further self-government, such

as the appointment of native governors, or the election of governors by popular vote, and local appointment of the executive officers now appointed by the President. Certain groups also desire freedom to enact such legislation as may be considered essential in meeting the social and economic problems of the Island, unrestricted by mainland constitutional or legislative restrictions. Economic nationalism has also enhanced the desire to end what is considered a "colonial status." It is believed greater autonomy will promote measures tending to foster local enterprise and check the alleged "drain" of the Island's wealth on the part of "absentee capital," and the "exploitation" of Puerto Rico as a "colony" for the sole benefit of the "colonizer."⁶⁻⁷

ECONOMIC PROBLEMS OF PUERTO RICO

The fact that Puerto Rico's present economy has been largely shaped by the political and economic ties which American sovereignty established between the Island and the mainland leads many to blame these ties for present maladjustments in the Island's economic order. On the other hand, the Island's economic dependence on the mainland makes it difficult to satisfy local aspirations for a change in political status without affecting Puerto Rico's economy to a degree which, according to many observers, would spell economic disaster.

Population

Pressure of population is one of the outstanding problems of Puerto Rico. The Island's population in December 1935 was 1,723,534, a density of 506.8 per square mile.⁸ On the basis of recent average annual increases, the present population is estimated at around 520 to the square mile. This makes Puerto Rico one of the world's most densely populated areas, a situation complicated by the fact that the Island has an agrarian, not an industrial economy, and that mountainous terrain makes only about two-thirds of the land area suitable for crop, pasture and woodland purposes. Consequently density of population per square mile of cultivated land is 1500. The seriousness of the problem is accentuated by the fact that the rate of increase has been growing—an equivalent of 1.95 per cent an-

2. *Downes vs. Bidwell*, 182 U.S. 124 (May 27, 1901); *De Lima vs. Bidwell*, 182 U.S. 1 (May 27, 1901); *Dorr vs. United States*, 195 U.S. 138 (May 31, 1904). Cf. also 245 U.S. 639 (January 21, 1918), and *Report of the Attorney General of Puerto Rico*, 1918.

3. *Balzac vs. People of Porto Rico*, 258 U.S. 298.

4. "The Constitution of the United States is in force in Porto Rico as it is wherever and whenever the sovereign power of that government is exerted The Constitution, however, contains grants of power and limitations which in the nature of things are not always and everywhere applicable." *Ibid.*

5. The administrative functions of the Federal Government in Puerto Rican affairs are exercised through the Director of the Division of Territories and Island Possessions in the Department of the Interior. To this office were transferred in June 1934 the functions previously exercised by the Bureau of Insular Affairs in the War Department.

6-7. The extreme forms of such opinions are to be found in the scattered periodical and pamphlet literature put out by the Nationalist party. For other expressions of the Puerto Rican "independentist" point of view, cf. quotations and bibliography in Bailey W. and Justine Whitfield Diffie, *Puerto Rico: A Broken Pledge* (New York, Vanguard Press, 1931).

8. *Census of Puerto Rico, 1935: Population*. Bulletin No. 1, Puerto Rico Reconstruction Administration, San Juan, P.R. (Washington, D.C., Government Printing Office, 1937).

nually in the 1930-1935 period as compared to 1.69 per cent between 1920 and 1930.⁹

This population pressure is in large measure responsible for the problems of permanent unemployment and under-employment, and low standards of living which characterize the Island's economy.¹⁰ With an over-supply of labor, wages are low. In the major agricultural activities, average actual weekly earnings for adult males in 1935-1936 were reported as follows: fruit-packing, \$2.10; tobacco cultivation, \$2.18; fruit cultivation, \$2.31; coffee cultivation, \$2.33; sugar-cane cultivation, \$3.75; tobacco stripping, \$4.76; sugar mills, \$6.78.¹¹ Female earnings are lower, and in the needlework industry hourly rates for home-workers are reported ranging from one to four cents an hour.¹² Dietary insufficiency is common in the rural population, which subsists largely on coffee, rice, beans, bananas, cornmeal, codfish and such fruits or vegetables as may be "picked-up" from time to time.¹³ Malnutrition is reflected in a death rate from tuberculosis that is over five times the rate in continental United States.¹⁴

Most students of Puerto Rican affairs agree that the social and economic problems facing the Island, particularly low standards of living and unemployment, cannot be adequately solved so long as population pressure increases. The Insular Government has finally accepted the imperative need of a direct attack on the problem through the promotion of measures to reduce the birth rate. In the face of strong opposition by organized religious groups,¹⁵ the Legislature in April of this year withdrew legal restrictions on the dissemination of contraceptive information, prohibited the marriage of persons suffering from mental and contagious diseases, and created a Board of Eugenics to decree the sterilization of sexual perverts and the mentally

9. Rafael de J. Cordero, *The Problem of Over-Population in Puerto Rico* (unpublished manuscript, San Juan, P.R., 1936).

10. The Division of Territories and Island Possessions estimated unemployment in 1934 at 350,000.

11. *Annual Report of the Commissioner of Labor, 1935-36* (San Juan, P.R., 1936), pp. 50-55.

12. Caroline Manning, *The Employment of Women in Puerto Rico* (U.S., Department of Labor, Bulletin of the Women's Bureau No. 118, Washington, D.C., 1934). Recent efforts to enforce a minimum wage law for women passed by the Legislature in 1919 have aroused widespread opposition by employers. *El Mundo* (San Juan, P.R.), June 14, 15, 1937.

13. Cf. José C. Rosario, *The Development of the Puerto Rican Jíbaro and His Present Attitude Towards Society* (San Juan, P.R., 1935, Monographs of the University of Puerto Rico, Series C, No. 1, 1935).

14. Rafael de J. Cordero, *The Problem of Over-Population in Puerto Rico*, cited.

15. Cf. *El Mundo*, April 7 and 8, 1937, and pastoral letter of Mgr. E. V. Byrne, Bishop of San Juan, of June 25, 1937 in *El Mundo*, August 4, 1937.

retarded.¹⁶ This approach to the problem, however, will of necessity be slow in producing effective results.¹⁷

Agriculture

Puerto Rico is predominantly agricultural. Three-fourths of the Island's exports represent products of the soil. Half of the gainful workers ten years of age or over are agricultural workers. Moreover, many workers in other occupations depend directly or indirectly on agriculture, as they are engaged in transporting, processing or marketing agricultural products.

The agricultural economy of the Island is marked by the following characteristics:

1. The emphasis is on the production of a few commercial crops—sugar, tobacco, coffee and fruits.¹⁸

2. Sugar holds a dominant position, sugar-cane farms accounting for 40 per cent of all farm acreage. About 60 per cent of the value of the Island's exports is accounted for by sugar, exports in 1936 being 832,723 tons valued at 60 million dollars.¹⁹

3. Tobacco is the second agricultural crop of the Island, unmanufactured tobacco exports in 1935 (valued at 7 million dollars) accounting for 9 per cent of the total value of exports.²⁰

4. An effort has been made to develop fruits as an important item in the Island's agricultural economy, and in 1914 fruit exports were valued at 3 million dollars and accounted for 7.4 per cent of the Island's exports. Since then hurricanes and external market conditions have affected the fruit industry and exports in 1935 dropped to 1.6 million dollars, or only 2.1 per cent of the total value of exports.²¹

5. Whereas there has been a consistent expansion since American Occupation in most of the major crops of the Island, the agricultural economy of Puerto Rico has of late been seriously disrupted by the virtual collapse of the coffee industry—almost wholly in local hands—which in colonial times was the most important in the Island, overshadowing the-sugar, in-

16. *El Mundo*, May 2, 1937.

17. Emigration as a solution to the problem has been largely discounted, due to the formidable obstacles involved in settling abroad persons in sufficient numbers to take care of the close to 40,000 annual increase in the population.

18. A 1935 census revealed 651,000 acres of land cropped that year as follows: sugar, 245,154 acres or 37 per cent; coffee, 182,316 acres or 28 per cent; tobacco, 45,720 acres or 7 per cent; with the balance in minor crops. (Puerto Rico Reconstruction Administration, San Juan, P.R., release of August 7, 1937.) The Sugar Section of the Agricultural Adjustment Administration gave the acreage planted to sugar in 1935 as 317,992 acres.

19. *Thirty-Sixth Annual Report of the Governor of Puerto Rico, 1936* (San Juan, P.R., Bureau of Supplies, Printing and Transportation, 1936), p. 148.

20. Rafael Picó, *The Agricultural Problems of Puerto Rico* (unpublished ms., San Juan, P.R., 1936), pp. 11, 37.

21. *Ibid.*, pp. 11, 37.

dustry. From a peak, under American Occupation, of 51 million pounds in 1914, valued at 7 million dollars, exports fell to half a million pounds in 1936, valued at \$124,558.²² This condition is the result of hurricanes, dislocation of external markets due to tariff walls, and neglect of soil conditions.²³ As it has been estimated, that the welfare of at least 300,000 inhabitants in the coffee area depends on an-adequate solution of the situation, the future of the coffee industry is the major economic problem confronting Puerto Rico today.

6. The emphasis on commercial crops has tended toward large-scale farming. Although less than one per cent of the farms in Puerto Rico are over 500 acres in size, these are responsible for a third of the total acreage, while farms over 1000 acres in size account for a quarter of the total acreage.²⁴

7. These commercial crops have been developed for, and depend on, external markets. Practically the entire sugar crop and the greater part of the other chief commercial crops are sold on the mainland.

8. The emphasis on commercial crops for export has led to the relative neglect of food crops for domestic consumption. According to the 1930 census, about 276,000 acres or approximately one-third of the total land under cultivation is devoted to food crops. This means a ratio of about 18 acres of food crops to every 100 inhabitants, as compared to 17 in 1899, despite the fact that the total acreage under cultivation in this period doubled and the population increased 62 per cent. It has been estimated that only 40 per cent of the Island's total consumption of agricultural products is provided by domestic food crops.²⁵

To sum up, Puerto Rico's economy is almost exclusively agricultural, emphasizing the production of commercial crops that depend largely on the external markets of continental United States. The major agricultural industries have shown more or less consistent expansion, with the exception of the coffee industry, the collapse of which is the principal unfavorable factor in the Island's economy today. While there are no adequate scientific data on the matter, many believe that conditioning historical and geographic factors have shaped an economy which, on the whole, is normal to the Island, and that the emphasis on commercial rather than subsistence crops might be desirable were it not for the pressure of population. Politically the

²². *Annual Book on Statistics* (San Juan, P.R., Department of Agriculture and Commerce, 1936), p. 152; *Thirty-Sixth Annual Report of the Governor of Puerto Rico*, 1936, cited, p. 151.

²³. The coffee crisis affects 9650 farmers controlling over 400,000 acres and nearly \$26,000,000 of farm capital. Cf. Vicente Medina and S. L. Descartes, *The Coffee Problem of Puerto Rico* (unpublished manuscript, University of Puerto Rico, Rio Piedras, P.R., 1937).

²⁴. *Fifteenth Census of the United States, 1930: Agriculture, Porto Rico* (U.S., Department of Commerce, Bureau of the Census, Washington, D.C., 1932).

²⁵. Rafael Picó, *The Agricultural Problem of Puerto Rico*, cited, p. 14.

significance of Puerto Rico's economy is that its agrarian nature and dependence on mainland markets imposes limitations on the freedom with which the Island may determine its political future. Independent political status might result in the loss of these markets, which would necessitate severe internal economic readjustments.

Sugar

Sugar, as the previous data reveal, holds a dominant position in Puerto Rico's economy. Largely as a result of United States sovereignty, production of sugar increased from 103,000 tons in 1901 to a peak of 1,103,000 tons in 1934. Since then AAA crop restriction has held production down to 773,000 tons in 1935 and 926,000 tons in 1936.

The entire economy of the Island is heavily dependent on the sugar industry. It is estimated that sugar wealth accounts for approximately 30 per cent of all private and public wealth and 30 per cent of the annual volume of business in the Island. As a contributor to government revenues, the sugar industry is responsible for approximately 28 per cent of the general revenues of the Insular Government, 45 per cent of the revenues from income taxes, and 35 per cent of the revenues from property taxes. As an employing agency, the industry gives work to almost half of the Island's agricultural workers. Finally, the sugar industry has been important in the development of the Island's communication facilities.²⁶⁻²⁸

The size of the sugar industry, its corporate aspects, and the rôle external capital plays in it have made it a target for criticism by Puerto Ricans. It is felt by many that the emphasis on sugar has restricted adequate well-rounded development of the Island's economic system; that the size and corporate structure of the industry make it an undesirable influence in the Puerto Rican economy; that "absentee ownership" renders many of its alleged benefits fictitious; and that food crops for domestic consumption should supplant much of the present sugar-cane crop. Informed Puerto Ricans, however, are generally agreed on the economic desirability of sugar cane as a major Island crop. The debatable factors, they feel, are political—notably the rôle of external capital in the industry, the extent to which the local government should control its development, the degree to which a more equitable distribu-

²⁶⁻²⁸. Out of a total railroad mileage of 1485 kilometers, 924 kilometers, or 62 per cent, are controlled by sugar companies. Of 20 ports where shipments exceed a million cargo tons annually, 17 are "sugar ports." Cf. Esteban A. Bird, *The Sugar Industry in Relation to the Social and Economic System of Puerto Rico* (unpublished manuscript, San Juan, P.R., 1937), pp. 6, 9.

tion of income is possible, and the extent to which political ties with the mainland may be altered without affecting the Island's present sugar markets.

Trade

Since the American Occupation, several features of interest have characterized Puerto Rico's external trade:

1. Consistent expansion, from 17.5 million dollars in 1900-1901 to almost 183 million in 1935-1936, or more than a tenfold increase.

2. Growth of trade exceeding that of population—from \$25 per capita in 1897 to \$87 per capita in 1935, or an increase of 250 per cent.

3. Increasing dependence on the United States: in 1901 72 per cent of Puerto Rico's trade was with the mainland; in 1936 the percentage was over 95.

4. Predominance of agricultural products, of which sugar is the most important. The distribution of 1935 exports was as follows: sugar, 60 per cent; leaf and scrap tobacco, 9 per cent; coffee, 0.2 per cent; pineapples, grapefruits, oranges and coconuts, 2 per cent. Of manufactures, accounting for 24.7 per cent of the total value of exports, the most important item was textiles—largely products of the needlework industry—which accounted for 18.7 per cent of the total value of exports.

5. Dependence on imports: Per capita imports were \$12 in 1897 and \$41 in 1935; the corresponding figures for continental United States are \$11 and \$18. Foodstuffs in 1901 represented 50 per cent of the value of all imports—in 1929, 35 per cent.²⁹

Puerto Rico enjoys a "favorable" balance of trade, averaging 20 million dollars annually in the 1931-1935 period. It has not been determined, however, to what extent this balance is fictitious, as not all values reported under "exports" return to the Island.³⁰

As the trade of the Island is so predominantly with the United States, it is an important factor in discussions of the Island's political status. The main criticism raised by Puerto Ricans is that, while inclusion within the United States tariff wall benefits the Island as a seller in the continental market, it works to the detriment of Puerto Rico, which cannot buy certain foodstuffs in world markets at prices lower than on the mainland. The

29. The above data are from the annual reports of the Governor of Puerto Rico; *Annual Book on Statistics*, cited; Rafael Picó, *The Agricultural Problems of Puerto Rico*, cited; Victor S. Clark and Associates, *Porto Rico and Its Problems* (Washington, D.C., The Brookings Institution, 1930).

30. Puerto Rico, for example, does not receive the full value of products produced by externally owned capital, nor the values given in "needlework exports," as much of the latter consists of garments sent to the Island for finishing, the Island receiving a "service charge" for needlework, not the full value of the finished garment reported in its exports.

charge is also made that the tariff has created an "unbalanced" economy and has restricted the development of native industries.³¹ It is alleged, moreover, that inclusion of the Island within the provisions of the coastwise shipping laws has fostered monopolistic conditions, excessive freight rates, and prevented the Island from using cheaper shipping facilities.³² Many who favor maintaining present political ties with the mainland feel that adjustments might be made, permitting Puerto Rico certain tariff and shipping privileges that would relieve economic problems and alleviate resentment against the United States. Others believe that action by the authorities in Washington, such as the recently established Maritime Commission, could remedy defects in the shipping situation.³³

Certain Puerto Ricans who favor independence for the Island, like Senator Luis Muñoz Marín, assert that the Island is so important economically to the United States that a reciprocal treaty maintaining tariff and other economic privileges now enjoyed by the Island could be secured.³⁴ This possibility is seriously questioned by others. But whatever the speculative elements in the situation, the basic fact is that 95 per cent of the Island's external trade is with the United States, and any changes in the Island's political status must either seek to maintain existing trade or else envisage drastic alterations in the economy of Puerto Rico.

THE ROOSEVELT RECONSTRUCTION PROGRAM

The administration of President Roosevelt is the first to give extensive attention to the economic maladjustments of Puerto Rico. In 1933, a commission of Puerto Ricans, known as the Puerto Rico Policy Commission, was named to draw up a long-term program of economic rehabilitation for the Island, and in 1935 the Puerto Rico Reconstruction Administration was organized largely for the purpose of carrying out the recommendations of this commission.³⁵

31. Cf. Darwin De Golia, *The Tariff Problems of Puerto Rico* (Report of the Tariff Survey Division of the Puerto Rican Emergency Relief Administration, San Juan, P.R., 1935).

32. Cf. Bailey W. and Justine Whitfield Diffie, *Porto Rico: A Broken Pledge*, cited, pp. 137-57; Victor S. Clark and Associates, *Porto Rico and Its Problems*, cited, pp. 411-12; and *Report of the Puerto Rico Policy Commission* (Washington, D.C., 1934), or Chardón Report, pp. 70-73.

33. The Maritime Commission is reported to be investigating the matter of passenger service to the Island. Cf. *New York Herald Tribune*, May 11, 1937.

34. Cf. Luis Muñoz Marín, "Manifiesto a los portorriqueños," *El Mundo*, June 25, 1936.

35. The Puerto Rico Policy Commission was composed of Dr. Carlos E. Chardón, then Chancellor of the University of Puerto Rico; Mr. R. Menéndez Ramos, Commissioner of Agriculture and Commerce; and Professor R. Fernández García of

The work of the PRRA is predicated on the belief that the Puerto Rican situation demands not temporary relief but extensive reconstruction to eradicate certain social-economic evils summarized as "progressive landlessness, chronic unemployment, and implacable growth of the population."³⁶ Its program thus stresses (1) the return of peasants to the land by buying large holdings to be sold in small parcels and easy terms to home-steaders, with further aid through cooperatives, technical instruction, etc.; (2) the creation of employment by rehabilitating established industries, such as the coffee industry, or the creation of new ones; (3) reduction of the rate of population growth through educational and other measures tending to raise the standard of living.

Over half of the PRRA's total appropriation of \$42,000,000 has been allocated to the Division of Rural Rehabilitation, which is engaged in some of the most important reconstruction work in the Island.³⁷ The general plan in the rehabilitation of stricken agricultural areas is as follows:

PRRA undertakes a rehabilitation program by furnishing labor and materials to farmers not financially able to make investments or to obtain credit, with the purpose of restoring farms to fruitful production and at the same time giving support to the present inhabitants dependent on them. Such work is without obligation to the owner in the case of farms of less than 20 acres. In the case of farms in excess of 20 acres the owner, in return for the rehabilitation work, agrees to sell PRRA three acres of average land, at half its appraised value, for every worker employed by the PRRA on his farm. These parcels are turned into subsistence farms for workers, purchasable from PRRA on easy terms. For four days of the week the worker is engaged in rehabilitation work; the remaining two days he devotes to his own farm. Up to April 1937 the PRRA had purchased 22,897 acres in

the University of Puerto Rico. Its report is popularly known as the *Chardón Report*. The PRRA was organized by Executive Order No. 7057, May 28, 1935, with appropriation for its work provided by S. 3140, May 13 (Calendar day June 24), 1935. Approximately \$42,000,000 was allotted to the PRRA out of relief and WPA moneys, later turned into a revolving fund, available from the time of the PRRA's organization to June 30, 1940.

36. *Chardón Report*, cited, p. 1.

37. The other major items in the PRRA program are the Lafayette sugar project (described below); reforestation; slum clearance; expansion or construction of five hydro-electric plants and their transmission and distribution systems; fostering of production and marketing cooperatives; fostering of new industries; erection of new buildings for the University of Puerto Rico; topographic, soil and other surveys; and sundry projects of a WPA nature. A certain amount of direct relief has been conducted through the absorption and tapering-off of the activities of the Puerto Rico Emergency Relief Administration, which wound up its affairs on June 30, 1936.

coffee farms to be owned eventually by an estimated 7750 workers; 9383 acres in tobacco farms for distribution among 3100 workers; and 1016 acres in fruit farms for 505 workers. Up to that date the PRRA had given assistance to 20,934 farms and employment to approximately 56,000.³⁸ Workers' camps are established in connection with the rural rehabilitation work for the purpose of housing workers, providing them with recreational and educational facilities, and training them as future homesteaders and farmers.³⁹

The Lafayette Project

The Chardón Report had made the sugar industry an important object of attack in the Puerto Rican economy, on the ground that it was one of the major factors contributing to a situation that offered "inadequate returns to farmers and workers," the "outflow of wealth" as the result of "large absentee holdings," the "rapid disappearance of the small farmer group," and neglect in the production of foodstuffs.⁴⁰ To eradicate these alleged ills, it recommended the acquisition of sugar mills and cane lands by a quasi-public corporation, with cane-growing in the hands of small farmers (*colonos*) owning not over 500 acres each.

The actual method outlined in the Chardón Report proved administratively unworkable, and was subject to the further criticism that its essential benefits—as the result of the potential expenditure of millions of dollars in acquiring sugar mills and lands—would go to the *colonos*, sugar-cane farmers relatively well off and themselves employers of labor. It is understood that these administrative realities and the social undesirability of a program designed to benefit the *colono* class led the Federal administration to modify its plans. In 1936 it acquired the Lafayette mill, previously the property of a French family residing in Paris, and 10,000 acres of land.⁴¹ Two sets of cooperatives were formed: (1) the mill cooperatives for the

38. PRRA release of April 20, 1937.

39. The PRRA is also conducting extensive studies and experiments as to new products that can be grown on the Island, such as vanilla; the processing of products at present grown, such as coconuts, corn, yuca and others; and the expansion of crops but slightly developed, such as cotton. In the industrial field it is also promoting certain industries held feasible in Puerto Rico, such as the manufacture of cement, bricks, tiles, paint, bamboo furniture, glass, etc. In every case the purpose is to foster the cooperative aspects of such enterprises.

40. Cf. Chardón Report, p. 11.

41. The purchase price of the mill and six pieces of property was \$1,373,000, effected by a loan of \$1,500,000 advanced by the PRRA and covered by a mortgage drawn in favor of PRRA. Ten pieces of property—sugar and pasture lands—were also purchased for \$2,400,000, and are being resold to land cooperatives on long terms. The \$1,500,000 loan is to be repaid over a period of 30 years.

grinding of sugar cane produced by (2) the land cooperatives; made up largely of agricultural workers for whom the Chardón Report had made no direct provision, and those independent cane farmers who may wish to join the mill cooperative. As the Federal government, through the Puerto Rico Reconstruction Administration, holds only a mortgage on the mill properties, and has resold the land properties to the members of the land cooperatives, the legal status of the Lafayette project is not that of a government-owned industry but of a farmers' cooperative operating on capital borrowed from the United States government. The administration, however, through a mortgage and a management contract, will retain administrative control until the debt is repaid over a period of thirty years. The original objectives of the program—the elimination of absenteeism, the limitation of alleged exploitation of the agricultural aspect of sugar production by the industrial—have been maintained; while, by broadening the base of participation in the cooperative enterprise, the redistribution of social income derived from sugar has been more adequately assured than in the Chardón Report. In addition, it is intended to provide workers with better housing, health, welfare, and recreational activities. These aspects, it is hoped, will make the Lafayette project a "yardstick" by which to judge the social aspects of privately owned sugar enterprises on the Island.⁴²

It is the administration's view that the Lafayette experiment should be given a fair working trial before any further mill acquisitions and operations are engaged in. Credit facilities, however, have been made available so that *colonos* may, if they desire, unite to purchase one or more mills, provided *colonos* engaging in such cooperatives agree on adoption of minimum wage, hour and working standards for their employees and a sliding scale of workers' participation relating to the sale prices of sugar.

The economic program of the Roosevelt administration has thus far concerned itself chiefly with rehabilitation within the Puerto Rican economy. Little, as yet, has been attempted in the field of the Island's economic relations with the United States, such as possible exemptions for the Island in the provisions of the tariff or the coastwise shipping laws, or improvement in shipping facilities through action by the Maritime Commission.⁴³ The admin-

42. Grinding of sugar cane at Lafayette under the new set-up started in January 1937, and 32,000 tons of raw sugar were produced. A profit of over \$200,000 was reported for the mill cooperative at the close of the grinding season in June. (*El Mundo*, July 7, 1937, and Division of Territories and Island Possessions.)

istration, however, has stood for maintenance of the sugar quotas for the Island, as well as its right to ship refined sugar to the mainland, resisting pressure on the part of domestic producers who would seek to exclude Insular sugars from the continental markets.

RECENT POLITICAL DEVELOPMENTS

The expansion of Puerto Rico's social and economic resources, the adverse effects of recent hurricanes and the world depression, and the eddies of world currents such as economic nationalism, have combined of late to sharpen issues and bring new realignments in the Island's political arena. Relations with the United States, however, consistently overshadow domestic issues.

While there have been many shifts in political groupings since American Occupation, allegiances have revolved primarily around the long dominant Union party, favoring independence for Puerto Rico, and the minority Republican party, favoring statehood. This traditional division was upset in the 1928 elections, when a Coalition composed of the Socialist party and a nucleus of the Republican party combined against the *Alianza*, made up of the *Unión* party and a faction of the Republican party. This general alignment has continued to date, except that the Union party, following the 1928 elections, split and emerged as the Liberal party. It has remained the largest party in the Island, although its numerical superiority has been offset by the Coalition agreement between Republicans and Socialists, whereby these parties, while maintaining their separate entities, divide political offices among themselves. Since 1932 the Coalition has thus been able to elect its candidate for Resident Commissioner in Washington and maintain a majority in both branches of the Legislature. The 1928 elections also saw the emergence of the Nationalist party, a small but militant political organization advocating complete independence for Puerto Rico.

No substantial differences in economic philosophy mark the major political groupings of Puerto Rico. The Socialist party has lost any mild socialistic leanings it may once have possessed, as association with the Republican party demonstrates, and its interest in labor does not stand out strikingly in a community where the majority are active advocates of improved working and living conditions for the population. The party advocates close ties with the United States.

43. In tariff matters, the only step has been the sanction by Congress of a special import duty on coffee entering Puerto Rico in order to protect the native product.

The Liberal party and its immediate predecessors have traditionally been the advocates of independence, although when the Tydings Bill appeared to make this possibility imminent a split occurred in its ranks. Senator Antonio R. Barceló, for years leader of the *independista* group, now characterizes proposals for immediate independence as "impertinent and inopportune." Puerto Rico, he claims, must first secure its "economic independence" through rehabilitation of the Island, which will prepare it for its "final status." He seeks cooperation with Washington for the "liberalization" of the present régime, a "decolonization of Puerto Rico that will prepare it for independence."⁴⁴⁻⁴⁶ Senator Luis Muñoz Marín, on the other hand advocates immediate independence, and sought unsuccessfully to commit the Liberal party to that issue in the 1936 elections. His position concerning Puerto Rico's relations with the United States is that (1) "independence is not only an ideal of innumerable Puerto Ricans but is the destiny of all Puerto Ricans," as the "colonial" status cannot continue; "there is no force that can stop independence"; (2) the United States has given unequivocal demonstrations that from its point of view statehood for Puerto Rico is impossible; (3) "autonomy" would be "liberty with a long chain, liberty granted to see what happens"; (4) the only solution is independence which "can be obtained in orderly manner and surrounded by economic stipulations mutually beneficial to Puerto Rico and the United States."⁴⁷ These "economic stipulations" would be in the nature of a reciprocity treaty aimed chiefly at maintaining the tariff benefits at present enjoyed by the Island.

Senator Muñoz Marín's position is largely the result of his conviction, as expressed above, that Washington will never grant Puerto Rico statehood. Here he disagrees with those who, like the Socialist Senator Bolívar Pagán, believe that the policy of Washington points "in the direction of statehood for Puerto Rico."⁴⁸

The possibility that independence might conceivably be realized at an early date, as shown by the introduction into Congress of bills designed to that end, has recently encouraged the formation of a new school of thought. According to this school, the basic problems of Puerto Rico are economic, and it is essential that Puerto Ricans give priority to economic rather than political issues, particularly as the sounder the economy of the Island, the simpler it will be to establish perma-

nent satisfactory relations with the mainland. In both the economic and political fields, forces inherent in the situation make closer ties with the mainland not only desirable but inevitable. In each of these fields Puerto Ricans at present have in their hands the instruments for effecting decided improvements; and with an administration as favorably disposed to their aspirations as that of President Roosevelt, discussion of their problems will undoubtedly result in reasonable efforts to solve them satisfactorily. For this, however, it is essential that Puerto Ricans get together for impartial and objective analysis of their problems and the measures requisite to their solution.

Such a school views the ultimate status of the Island as (a) statehood, or (b) "an inter-dependent community forming a part of the United States," an "associated republic, or confederated state . . . permanently and irrevocably joined to the people of the United States."⁴⁹

Political Violence

The explosive forces accumulating since 1917 when the United States last made substantial concessions to Puerto Rican political aspirations have been increasingly manifest of late, chiefly in the militant activities of the small group of Puerto Ricans forming the Nationalist party.

Although the Nationalists have argued in favor of complete independence, achieved by force if necessary, many observers doubt whether violence would have reached such a pitch had it not been for an unfortunate sequence of events on both sides which has created a bitter feud in the Island between the Nationalists and the police force. The major events in this sequence are as follows:⁵⁰

In September 1935 Pedro Albizu Campos, the Nationalist leader, made a radio address in which he scathingly attacked the students of the University of Puerto Rico, referring to them as "prostitutes" and "homosexuals." The students, highly resentful, organized a protest meeting, for the purpose of declaring him *persona non grata* at the University. An automobile with four Nationalists, heavily armed was stopped by police near the University. As the driver could not produce a license, he was ordered

49. Miguel A. García Méndez, press release of May 27, 1937. Cf. also *El Mundo*, April 3, 5, May 6, 1937.

50. Governor Blanton Winship, in a statement made at the request of Senator Tydings, presented a detailed account of Nationalist activities leading to violence (*Congressional Record*, June 3, 1937, pp. 6904-6909). Some statements in the Governor's report are not quite in accord with other reports. His version of the Ponce affair referred to below should be read in connection with the *Report of the Commission of Inquiry on Civil Rights in Puerto Rico* (New York, American Civil Liberties Union, May 22, 1937) and numerous statements and reports in the local press during March and April 1937.

44-46. *El Mundo*, March 14, 21, May 3, July 17, 1937.

47. "Manifiesto al pueblo portorriqueño," *El Mundo*, June 25, 1936; also, *ibid.*, March 19, 1937.

48. *El Mundo*, June 27, 1937.

to police headquarters, two policemen climbing on the running board. Three blocks from a side entrance to the University, the car stopped and firing began. When it subsided, one policeman was seriously wounded, four Nationalists were dead or dying, one was wounded and later recovered, and one innocent bystander was dead. At the funeral of these men, Albizu Campos called on his followers to avenge their deaths, declaring that for each of these "martyrs" to independence, the life of one continental "oppressor" would be forfeited. He specifically named Colonel E. Francis Riggs, Chief of Police.

Three months later, on February 23, 1936, Colonel Riggs was shot and killed. Two Nationalist young men, who had committed the murder, were arrested and killed by the police inside the police station, the police alleging that the men had seized arms from the police station's arsenal and attempted to make a break. The policemen involved were subsequently tried in the Insular courts and acquitted.

A few weeks after the shooting of Riggs and several other assassinations of policemen, Albizu Campos was arrested and in July, with seven other Nationalists, was brought to trial and convicted of sedition and conspiracy.

On Palm Sunday, March 21, 1937, nineteen people were killed and over a hundred wounded in a clash that occurred in Ponce while police attempted to prevent a parade being staged by Nationalists.⁵¹ While the police allege that the first shot was fired by Nationalists,⁵² it was argued that whatever provocation the Nationalists may have offered, wholesale shootings on the part of the police, many of them armed with sub-machine guns, could not be justified, especially as the victims included women and children and innocent bystanders. Resentment was increased by news photographs published in the press, showing the Nationalist "cadets" standing at attention awaiting the order to march while the police are beginning to draw their guns.⁵³ A mass meeting of students (in the past often critical of the Nationalists) passed a resolution urging the removal of Governor Winship.⁵⁴

A local commission which invited Arthur Garfield Hays, general counsel of the American Civil Liberties Union, to be its chairman was formed to investigate the Ponce shootings. It came to the conclusion that "the facts show that the affair of March 21st in Ponce was a 'massacre'" and that it was due to "the denial by the police of the civil rights of citizens to parade and assemble," a denial "ordered by the Governor of Puerto Rico."⁵⁵ In his reply to the Hays charges, Governor Winship stated that to have allowed the Ponce parade would

51. *El Mundo*, March 22, 1937. Two of the dead and five of the injured were policemen.

52. *Ibid.*, April 10, 1937.

53. *Ibid.*, March 31, 1937.

54. *Ibid.*, April 3, 1937.

55. *Report of the Commission of Inquiry on Civil Rights in Puerto Rico*, cited.

have meant "substitution of the authority of Pedro Albizu Campos for that of the constituted authority of the Puerto Rican Government."⁵⁶⁻⁵⁸

Regardless of the ultimate findings in the Ponce incident, or the responsibility that may be attached to either side for the recent growing strain in the Island, observers point out that Puerto Rico, long known as one of the most peaceful of Spanish-American communities, has entered a phase where sustained political violence has occurred on a scale not previously witnessed in the Island since the American Occupation;⁵⁹ and that in the Ponce affair, more people lost their lives than in the celebrated Lares revolt in 1868 against Spanish rule.⁶⁰ It is also pointed out that the free use of firearms by the police for the purpose of preventing a parade indicates a trend that may have unfortunate repercussions not only on Washington's relations with Puerto Rico, but those with Latin America as well, and one that may leave the United States with another Ireland on its hands.

CONCLUSION

It can be seen that both the internal problems of Puerto Rico and those springing from the Island's relations with the mainland fall into two categories: economic and political. The two are interdependent, and consequently observers feel that neither can be adequately solved in isolation.

Both sets of problems, moreover, are due not to overzealousness in colonizing on the part of the United States but are held to be the result of "colonial neglect." Their essential elements were pointed out by early observers immediately after the Occupation, especially in the economic field,⁶¹ but no extensive steps were ever taken to guide the development of the Island along lines that would minimize rather than intensify the unfavorable factors in its economy. The Island has "grown haphazardly."⁶² Its economic development has been almost entirely in the hands of private capital,

56-58. *Congressional Record*, June 3, 1937, pp. 6904-6909.

59. The peaceful traits of Puerto Ricans were pointed out by early American investigators. Cf. Henry K. Carroll, *Report on the Island of Porto Rico* (Washington, D.C., Government Printing Office, 1899), p. 57.

60. Nineteen died in Ponce. In the Lares revolt, two died resisting arrest and seven leaders were executed following trial. Cf. Tomás Blanco, *Prontuario Histórico de Puerto Rico* (Madrid, Imprenta de Juan Pueyo, 1935), pp. 79-80.

61. Cf. Carroll, *Report on the Island of Porto Rico*, cited, and Azel Ames, "Labor Conditions in Porto Rico," *Bulletin of the Department of Labor* (Washington, D.C., Government Printing Office, 1901), pp. 377-439.

62. Legislature of Porto Rico: *Second Report of the Legislative Committee to Investigate the Industrial and Agricultural Unrest and Restlessness Causing Unemployment in Porto Rico* (San Juan, P.R., 1931), p. 7.

which has largely fixed the pattern of the Island's economy. This private initiative has brought to Puerto Rico both the advantages and disadvantages of modern capitalist enterprise functioning in a culture traditionally paternalistic and agrarian, and where population pressure supplies ample cheap labor. No comprehensive planned direction had been attempted until the advent of the Roosevelt administration.

Politically, similar neglect has been pointed out by students of the Island. No indication has ever been given by Washington whether Puerto Rico was moving toward statehood, independence, or some form of autonomy, or was to remain indefinitely in *status quo*. The result, it is claimed, has been that local political groups, arguing inadequate power to influence substantially the course of economic or political events in the domestic field, have made the issue of the political status of the Island dominant over all others. Of late, however, there are indications that Puerto Rican political parties are beginning to realize the opportunities before them of contributing to amelioration of Puerto Rico's problems, particularly as most Puerto Ricans now feel that the economic and political issues have developed to a point where evasion is no longer possible.

In the economic field, observers believe that the Island's basic problem is restoration of a balance between human and economic resources so that adequate employment and a better standard of living may be available to the population. This can be effected by attacking the problem at both ends. With regard to the restriction on the rate of growth of the population, a start has been made in the adoption of measures tending to curb the birth rate. At the other end of this economic situation is the problem of expanding the productivity of the Island in a way that will increase distributable wealth through more ample employment, higher wages, and easier access to the various elements contributing to higher standards of living. With the exceedingly low ratio of land to population, this means utilization of the soil in the most efficient manner possible, in order to insure a high money yield per acre. In ideal terms, such a program involves the maintenance of crops like sugar cane, which provide a high return; the elimination or reduction of low-revenue crops, even though tradition or emotionally motivated desires for self-sufficiency may urge their continuation; and the development of new crops that will satisfy the criteria of (a) suitability to Puerto Rico's soil and climate, (b) marketability, and (c) high returns per acre. It involves abandonment of aspirations for self-sufficiency through the realization that con-

centration on commercial crops of high value will bring Puerto Rico purchasing media that will leave the Island a surplus after the purchase of foodstuffs more efficiently grown abroad.⁶³

Opportunities for employment can also be expanded to a certain extent by the establishment of manufacturing industries. Measures along these lines are being fostered; but it is recognized that geographic and other factors impose severe limits to the possible industrialization of Puerto Rico.

The Roosevelt administration, through the PRRA, has been attempting a solution of the Island's economic problems largely along the lines postulated above. In view of the pressing need for immediate relief of human distress, however, and the formidable obstacles confronting any large-scale attempt at extensive reorganization in the basic elements of the Island's present economy, much of the reconstruction work has been directed into projects providing quick employment, chiefly—aside from public works—through the rehabilitation of existing industries, regardless of their ultimate economic justification. Students of the Island's problems, for example, disagree as to whether the coffee industry should be rehabilitated in full, or whether its place should be taken by some new commercial activity, with coffee production maintained only to a degree sufficient to satisfy domestic consumption. The attempts of the PRRA to return large parts of the population to the "small farmer" category is also questioned in an economy where land is so scarce and where large-scale commercial crops appear to be economically the most desirable form of productive wealth.

No steps have as yet been taken by the Roosevelt administration to clarify the Island's political status. The only important move in the political field was the introduction into Congress of the Tydings Bill providing for a referendum on the matter of independence. According to some observers, this move did more harm than good, since it has been cited as further evidence of the uncertainty in which Puerto Ricans must live and the degree to which their ultimate destiny rests in the hands of Congress. Others believe that the potential immittance of independence made Puerto Ricans realize that the issue could no longer be used irresponsibly for merely local political purposes.

The essential aspects of the political problem may be summarized as follows:

(1) The ambiguous status of the Island has allowed the issue of future political ties with the main-

63. Cf. letter of Professors Rafael de J. Cordero, Sol L. DesCartes, Jorge Bermudez, and Rafael Picó to Secretary of the Interior Harold B. Ickes on January 24, 1936, in support of such an economic policy for Puerto Rico. *El Mundo*, February 18, 1936.

land to develop to a point where relations between the two peoples may suffer severe injury. It is therefore desirable for both that this uncertainty be eliminated as early as possible.

(2) The major factors determining the ultimate status of the Island will be economic. Consequently, while it is desirable that this status be defined as soon as possible, no definite or hasty steps, such as suggested by the Tydings Bill, should be taken without prior thorough investigation of all problems involved, as Congress did in the case of the Philippines.

(3) Any referendum on future status should come only after Congress has made an extensive survey of the problem, and after definite expression on the part of Congress as to whether (a) statehood is or is not a possibility for the Island; (b) the degree to which Congress is willing to maintain present economic ties (as through the reciprocity treaty proposed by Senator Muñoz Marín and present relief appropriations) if independence is offered the Island; (c) the extent and nature of any alternative forms that may be offered the Island in the direction of greater autonomy or home rule.

(4) Puerto Ricans themselves should predicate their demands on careful study of the issues involved. Statehood for example, if granted, would involve the loss of certain material privileges at present enjoyed by the Island, such as the right to impose its own internal revenue and income tax laws, the retention of customs revenues, tariff concessions like the recent one on coffee, and the special protection of the Federal government—at present the Island's best friend—against mainland economic interests opposed to certain economic interests of the Island. The extent to which the numerically small Puerto Rican voting

power in Congress would be an effective means of securing objectives sought by the Island, particularly when two such different cultures and economies are involved, is also open to argument. If the Island seeks independence, it must also realize that it will depend for maintenance of its markets on a Congress in which powerful interests antagonistic to those of Puerto Rico are represented. As to "autonomy," no concrete proposals have yet emanated from the Island.

(5) Puerto Ricans, it is also pointed out, might explore—before the permanent status of the Island is finally decided—the possibilities of an improved status under the present system, particularly in view of the presence in Washington of an administration favorably disposed to reasonable solution of existing disagreements. Many feel that the present Insular Government is in a position to take more effective action than it has in the solution of the Island's problems; the present Organic Act might be amended to provide for further self-government; and there is a possibility of adjustments in the economic realm such as modifications in tariff provisions, to allow the Island easier access to low-cost products.

The initiative in most of these matters, it is felt, should come from considered programs drawn up by informed Puerto Ricans, and from local parties dedicated to the thorough study and solution of Insular problems. For while Washington may justly be accused of past neglect of the Island, it is also true that Puerto Ricans themselves have failed to recognize the degree to which primary responsibility for constructive attack on the Island's problems lay with them.

**Statement of the Ownership, Management, Circulation,
Etc., Required by the Acts of Congress of August 24,
1912, and March 3, 1933, of**

Foreign Policy Reports

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State of New York, County of New York, ss:

Before me, a Notary Public in and for the State and county aforesaid, personally appeared Vera Micheles Dean, who, having been duly sworn according to law, deposes and says that she is the Editor of the Foreign Policy Reports, and that the following, is, to the best of her knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation), etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, as amended by the Act of March 3, 1933, embodied in section 537, Postal Laws and Regulations; printed on the reverse of this form, to wit:

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(My commission expires March 30, 1939)